

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name CHARTER TOWNSHIP OF GREEN	County MECOSTA
Fiscal Year End 3/31/07	Opinion Date 6/28/07	Date Audit Report Submitted to State 7/2/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NO SINGLE AUDIT OR OTHER ITEM REQUIRED	
Certified Public Accountant (Firm Name) BRICKLEY DELONG, PLC		Telephone Number 10253	
Street Address 316 MORRIS AVE, SUITE 500		City MUSKEGON	State MI
		Zip 49440	
Authorizing CPA Signature <i>Timothy D. Arter, CPA</i>	Printed Name TIMOTHY D. ARTER, CPA		License Number 10253

*for Brickley De Long, PLC*

Charter Township of Green  
Mecosta County, Michigan  
**REPORT ON FINANCIAL STATEMENTS**  
(with required supplementary information)  
Year ended March 31, 2007

Supervisor..... John Wellnitz

Clerk..... Janet Clark

Treasurer..... Carolyn Chipman

Trustees ..... Barbara Waldron  
James Peek  
Gary Todd  
Donald Grant

## Charter Township of Green

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# Charter Township of Green

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## Management's Discussion and Analysis

As management of the Charter Township of Green, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Charter Township of Green for the fiscal year ended March 31, 2007. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

### **FINANCIAL HIGHLIGHTS**

The Township's General Fund fund balance increased by approximately by \$11,100. This increase is mainly due to keeping expenditures below revenues.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Charter Township of Green's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the Charter Township of Green's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Charter Township of Green's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter Township of Green is improving or deteriorating.

The Statement of Activities presents information showing how the Charter Township of Green's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works, community and economic development and cultural and recreational activities. The business-type activities of the Township include sewer services.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Charter Township of Green, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Charter Township of Green can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

# Charter Township of Green

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## Management's Discussion and Analysis

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the two.

The Charter Township of Green maintains one governmental fund, the General Fund.

### **Proprietary Funds**

The Charter Township of Green has one type of proprietary fund. Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses a proprietary fund to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provided separate information for the Sewer Fund which is a major fund.

### **Fiduciary Funds**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Charter Township of Green. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Charter Township of Green's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Charter Township of Green budgetary information as it relates to the actual expenditures for the General Fund.

# Charter Township of Green

## Management's Discussion and Analysis

### Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Charter Township of Green. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2007, the Charter Township of Green's net assets from governmental activities totaled \$1,005,315 (44%) and \$1,275,617 (56%) business-type activities, creating a total government-wide net assets total of \$2,280,932.

In examining the composition of these net assets, the reader should note that a portion of governmental activities net assets are invested in capital assets (i.e., buildings, land, and equipment, etc.) These assets are used to provide services to the Charter Township of Green's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$773,800. This represents the amount of discretionary resources that can be used for general governmental operations.

The business-type activities show a total of \$1,275,617 in net assets of which \$433,482 (34%) is unrestricted net assets.

### Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current assets and other assets	\$ 773,800	\$ 762,719	\$ 443,308	\$ 416,623	\$ 1,217,108	\$ 1,179,342
Capital assets	231,515	215,550	842,135	866,535	1,073,650	1,082,085
Total assets	1,005,315	978,269	1,285,443	1,283,158	2,290,758	2,261,427
Current liabilities	-	-	9,826	11,098	9,826	11,098
Net assets						
Invested in capital assets	231,515	215,550	842,135	866,535	1,073,650	1,082,085
Unrestricted	773,800	762,719	433,482	405,525	1,207,282	1,168,244
Total net assets	\$ 1,005,315	\$ 978,269	\$ 1,275,617	\$ 1,272,060	\$ 2,280,932	\$ 2,250,329

The increase in capital assets for governmental activities from fiscal year 2006 to 2007 is due to the purchase of a generator for township hall. The increase in current assets and other assets in business-type activities from fiscal year 2006 to 2007 is due to an increase in sewer receivables. The decrease in capital assets in business-type activities from fiscal year 2006 to 2007 is due to normal depreciation.

# Charter Township of Green

## Management's Discussion and Analysis

### Governmental Activities

For the 2007 fiscal year, net assets increased by \$27,046 or 3%. The net assets for business-type activities increased by \$3,557 or .3%, during 2007.

### Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program revenues						
Charges for services	\$ 5,982	\$ 10,747	\$ 87,390	\$ 83,730	\$ 93,372	\$ 94,477
Capital grants and contributions	-	4,800	-	250,000	-	254,800
General revenues						
Property taxes	103,806	96,935	-	-	103,806	96,935
Grants and contributions not restricted	223,639	226,270	-	-	223,639	226,270
Unrestricted investment earnings	32,186	22,784	18,451	11,937	50,637	34,721
Miscellaneous	1,643	16,634	2,546	2,294	4,189	18,928
Total revenues	367,256	378,170	108,387	347,961	475,643	726,131
Expenses:						
General government	181,314	182,139	-	-	181,314	182,139
Public safety	68,814	64,644	-	-	68,814	64,644
Public works	81,247	123,385	-	-	81,247	123,385
Community and economic development	171	275	-	-	171	275
Culture and recreation	8,664	19,658	-	-	8,664	19,658
Sewer Fund	-	-	104,830	91,211	104,830	91,211
Total expenses	340,210	390,101	104,830	91,211	445,040	481,312
Change in net assets	27,046	(11,931)	3,557	256,750	30,603	244,819
Net assets - Beginning	978,269	990,200	1,272,060	1,015,310	2,250,329	2,005,510
Net assets - Ending	\$ 1,005,315	\$ 978,269	\$ 1,275,617	\$ 1,272,060	\$ 2,280,932	\$ 2,250,329

In fiscal year 2007, there were no capital contributions. Public works is down due to fewer road projects in 2007. Culture and recreation was down from the prior year because the majority of the Township's recreation master plan was funded in 2006.



# Charter Township of Green

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## Management's Discussion and Analysis

### Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Charter Township of Green uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

The focus of the Charter Township of Green governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances, or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2007 fiscal year, the Charter Township of Green governmental funds reported an unreserved fund balance of \$773,800 of which 100% is unrestricted and unreserved.

The Charter Township of Green's proprietary funds provide the same type of information found in the governmental financial statements, but in more detail. Unrestricted net assets of the Sewer Fund increased by \$27,957.

### General Fund Budget

During the current fiscal year, the Charter Township of Green made a few amendments to its original budget. The most significant of those are listed below:

- The public safety budget was increased and professional fees budget was decreased by \$10,000 due to the law contract being accounted for in public safety rather than under professional fees.
- Increased capital outlay budget by \$12,500 for the purchase of a generator for township hall.

During the fiscal year, the Township's noteworthy variations from the final budget to actual revenues and expenditures are listed below:

- Investment earnings were better than budgeted due to higher interest rates.
- Legislative expenditures were less than budgeted due not spending as much for education and training and pension expense being lower than expected.
- Townhall expenditures were less than budgeted due to fewer repairs and maintenance and utility expenditures.
- Professional fees were less than budgeted due to expenses being lower than expected.
- Public safety expenditures were less than budgeted due to expenses being lower than expected.
- Public works expenditures were less than budgeted due to fewer road projects.
- Culture and recreation expenditures were less than budgeted due to not completing all anticipated park projects.

# Charter Township of Green

## Management's Discussion and Analysis

- Capital outlay expenditures were less than budgeted due to not completing all anticipated projects.

### Capital Assets

The Charter Township of Green investment in capital assets for its governmental and business-type activities as of March 31, 2007 totaled \$1,073,650 (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements, machinery, equipment, plants and vehicles.

Major capital asset events during the current fiscal year included the following:

- The Township purchased a generator for approximately \$20,900.
- The Township purchased cemetery software for \$4,272.

### Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 106,765	\$ 106,765	\$ -	\$ -	\$ 106,765	\$ 106,765
Buildings and improvements	106,585	92,392	-	-	106,585	92,392
Plants and infrastructure	-	-	841,138	865,040	841,138	865,040
Furniture and equipment	18,165	16,393	997	1,495	19,162	17,888
Total	<u>\$ 231,515</u>	<u>\$ 215,550</u>	<u>\$ 842,135</u>	<u>\$ 866,535</u>	<u>\$ 1,073,650</u>	<u>\$ 1,082,085</u>

Additional information on the Charter Township of Green's capital assets can be found in Note D of the "Notes to Financial Statements" of this report.

# **Charter Township of Green**

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## **Management's Discussion and Analysis**

### **General Economic Overview**

The Charter Township of Green's General Fund is comprised of two major revenue sources, state revenue sharing and property tax revenue. Those two sources comprised 86% of the General Fund revenue sources. In fiscal 2007, state revenue sharing is expected to continue to decline. Property tax revenues will likely remain flat or have a slight increase.

The Township Board is somewhat cautious on expenditures of the Township due to the economic uncertainties of Mecosta County and Michigan with regards to state revenue sharing. The employment situation for this area is a concern for caution, so the Township will continue being conservative with spending.

However, the Charter Township of Green is optimistic for future in economic growth and development including several new subdivisions and proposed refurbishing and development of the Stone Hatchery Community Park. The Township continues to work on its recreation master plan, which will assist in meeting future recreational and leisure-time needs as the Township grows.

### **Requests for Information**

This financial report is designed to provide a general overview of the Charter Township of Green's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Charter Township of Green, 21431 Northland Drive, Paris, Michigan 49338, (231) 796-6201.

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

June 28, 2007

To the Township Board  
Charter Township of Green  
Paris, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Charter Township of Green as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter Township of Green's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the Charter Township of Green, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Charter Township of Green  
**STATEMENT OF NET ASSETS**  
March 31, 2007

ASSETS

	Governmental activities	Business-type activities	Total
CURRENT ASSETS			
Cash and investments	\$ 729,510	\$ 426,203	\$ 1,155,713
Receivables			
Accounts	-	17,105	17,105
Property taxes	8,449	-	8,449
Due from other governmental units	35,841	-	35,841
Total current assets	773,800	443,308	1,217,108
NONCURRENT ASSETS			
Capital assets, net			
Nondepreciable	106,765	-	106,765
Depreciable	124,750	842,135	966,885
Total noncurrent assets	231,515	842,135	1,073,650
Total assets	1,005,315	1,285,443	2,290,758

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES			
Due to other governmental units	-	9,826	9,826
NET ASSETS			
Invested in capital assets	231,515	842,135	1,073,650
Unrestricted	773,800	433,482	1,207,282
Total net assets	\$ 1,005,315	\$ 1,275,617	\$ 2,280,932

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF ACTIVITIES**  
For the year ended March 31, 2007

<b>Functions/Programs</b>	Expenses	Program Revenue	Net (Expense) Revenue and Changes in Net Assets		
		Charges for services	Governmental activities	Business-type activities	Total
Governmental activities					
General government	\$ 181,314	\$ 5,982	\$ (175,332)	\$ -	\$ (175,332)
Public safety	68,814	-	(68,814)	-	(68,814)
Public works	81,247	-	(81,247)	-	(81,247)
Community and economic development	171	-	(171)	-	(171)
Culture and recreation	8,664	-	(8,664)	-	(8,664)
Total governmental activities	340,210	5,982	(334,228)	-	(334,228)
Business-type activities					
Sewer	104,830	87,390	-	(17,440)	(17,440)
Total government	<u>\$ 445,040</u>	<u>\$ 93,372</u>	(334,228)	(17,440)	(351,668)
General revenues					
Property taxes			103,806	-	103,806
Grants and contributions not restricted to specific programs			223,639	-	223,639
Unrestricted investment earnings			32,186	18,451	50,637
Miscellaneous			1,643	2,546	4,189
Total general revenues			361,274	20,997	382,271
Change in net assets			27,046	3,557	30,603
Net assets at April 1, 2006			978,269	1,272,060	2,250,329
Net assets at March 31, 2007			<u>\$ 1,005,315</u>	<u>\$ 1,275,617</u>	<u>\$ 2,280,932</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**BALANCE SHEET**  
Governmental Fund  
March 31, 2007

	General Fund
ASSETS	
Cash and investments	\$ 729,510
Property taxes receivable	8,449
Due from other governmental units	<u>35,841</u>
Total assets	<u>\$ 773,800</u>
 FUND BALANCE	
Unreserved	<u>\$ 773,800</u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**  
March 31, 2007

Total fund balance—governmental funds		\$	773,800
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Amounts reported for governmental activities in the Statement of Net Assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
are not reported in the governmental funds.

Cost of capital assets	\$	334,753	
Accumulated depreciation		<u>(103,238)</u>	<u>231,515</u>
Net assets of governmental activities in the Statement of Net Assets	\$		<u><u>1,005,315</u></u>

The accompanying notes are an integral part of this statement.



Charter Township of Green  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
 Governmental Fund  
 For the year ended March 31, 2007

	General Fund
REVENUES	
Property taxes	\$ 93,543
Licenses and permits	198
Intergovernmental revenues - State	223,639
Charges for services	15,157
Investment earnings	30,099
Other	4,620
Total revenues	367,256
EXPENDITURES	
Current	
General government	158,596
Public safety	68,814
Public works	81,247
Community and economic development	75
Culture and recreation	8,664
Other governmental functions	15,247
Capital outlay	23,532
Total expenditures	356,175
Net change in fund balance	11,081
Fund balance at April 1, 2006	762,719
Fund balance at March 31, 2007	\$ 773,800

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2007

Net change in fund balance—total governmental funds	\$	11,081
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$	(10,369)	
Capital outlay		<u>26,334</u>	<u>15,965</u>
Change in net assets of governmental activities	\$		<u><u>27,046</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF NET ASSETS**  
 Proprietary Fund  
 March 31, 2007

ASSETS

	Sewer Fund
<b>CURRENT ASSETS</b>	
Cash and investments	\$ 426,203
Accounts receivable	<u>17,105</u>
Total current assets	443,308
<b>NONCURRENT ASSETS</b>	
Capital assets	
Plant and system	1,329,701
Equipment	1,495
Less accumulated depreciation	<u>(489,061)</u>
Total noncurrent assets	<u>842,135</u>
Total assets	1,285,443
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Due to other governmental units	<u>9,826</u>
<b>NET ASSETS</b>	
Invested in capital assets	842,135
Unrestricted	<u>433,482</u>
Total net assets	<u><u>\$ 1,275,617</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
 Proprietary Fund  
 For the year ended March 31, 2007

	Sewer Fund
REVENUES	
Charges for services	\$ 83,936
OPERATING EXPENSES	
Operations	80,430
Depreciation	24,400
Total operating expenses	104,830
Operating loss	(20,894)
NONOPERATING REVENUES	
Investment earnings	18,451
Connection fees	6,000
	24,451
Change in net assets	3,557
Net assets at April 1, 2006	1,272,060
Net assets at March 31, 2007	\$ 1,275,617

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF CASH FLOWS**  
 Proprietary Fund  
 For the year ended March 31, 2007

	Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 69,825
Payments to suppliers	(68,471)
Payments to employees	<u>(13,231)</u>
Net cash provided by operating activities	(11,877)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Connection fees	6,000
CASH FLOW FROM INVESTING ACTIVITIES	
Investment earnings	<u>18,451</u>
Net increase in cash and investments	12,574
Cash and investments at April 1, 2006	<u>413,629</u>
Cash and investments at March 31, 2007	<u><u>\$ 426,203</u></u>
Reconciliation of operating loss to net cash provided by operating activities	
Operating loss	\$ (20,894)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation expense	24,400
Change in assets and liabilities	
Accounts receivable	(14,111)
Due to other governmental units	<u>(1,272)</u>
Net cash provided by operating activities	<u><u>\$ (11,877)</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
Fiduciary Funds  
March 31, 2007

	Agency Fund - <u>Tax Collection</u>
<b>ASSETS</b>	
Cash and investments	\$ <u><u>          -</u></u>
<b>LIABILITIES</b>	
Due to other governmental units	\$ <u><u>          -</u></u>

The accompanying notes are an integral part of this statement.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Charter Township of Green (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

***Reporting Entity***

The Township is a charter township governed by an elected seven-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations met this criteria, none are included in the financial statements.

***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued*

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental fund:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following major proprietary fund:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays the Township of Big Rapids for sewer treatment.

Additionally, the Township reports the following fund type:

The Tax Collection Fund accounts for the tax revenue collected by the Township for the benefit of other units of local government within the area.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's sewer function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for the proprietary fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses, including tap fees intended to recover the cost of connecting new customers to the system.

When both restricted and unrestricted resources are available for use, it is the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.



Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity*

**Deposits and Investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and Township intends to hold the investment until maturity.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds. All investments are stated at fair value.

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31 and are due without penalty on or before February 14. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 state taxable value for real/personal property of the Township totaled approximately \$74,086,000. The ad valorem taxes levied consisted of 1.2276 mills for the Township's operating purposes. This amount is recognized in the General Fund.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

*Assets, Liabilities and Net Assets or Equity—Continued*

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., sewer system assets), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	15-40
Furniture and equipment	3-15
Plants and systems	60

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. In January, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first Tuesday in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

**NOTE C—DEPOSITS AND INVESTMENTS**

**Interest rate risk.** The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit risk.** State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

**Concentration of credit risk.** Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Township limits its investment in commercial paper of any one firm to not more than five percent of the Township's investments.

**Custodial credit risk - deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2007, \$743,907 of the Township's bank balance of \$1,165,011 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE C—DEPOSITS AND INVESTMENTS—Continued**

**Custodial credit risk - investments.** The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

**Foreign currency risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE D—CAPITAL ASSETS**

Capital assets activity for the year ended March 31, 2007 was as follows:

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
<b>Governmental activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$ 106,765	\$ -	\$ -	\$ 106,765
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	164,893	20,892	-	185,785
Furniture and equipment	36,761	5,442	-	42,203
Total capital assets, being depreciated	201,654	26,334	-	227,988
<b>Less accumulated depreciation:</b>				
Buildings and improvements	72,501	6,699	-	79,200
Furniture and equipment	20,368	3,670	-	24,038
Total accumulated depreciation	92,869	10,369	-	103,238
Total capital assets, being depreciated, net	108,785	15,965	-	124,750
Capital assets, net	\$ 215,550	\$ 15,965	\$ -	\$ 231,515

Charter Township of Green  
**NOTES TO FINANCIAL STATEMENTS—CONTINUED**  
March 31, 2007

**NOTE D—CAPITAL ASSETS—Continued**

	Balance April 1, 2006	Additions	Deductions	Balance March 31, 2007
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Plant and system	\$ 1,329,701	\$ -	\$ -	\$ 1,329,701
Equipment	1,495	-	-	1,495
Total capital assets, being depreciated	1,331,196	-	-	1,331,196
 <b>Less accumulated depreciation:</b>				
Plant and system	464,661	23,902	-	488,563
Equipment	-	498	-	498
Total accumulated depreciation	464,661	24,400	-	489,061
Capital assets, net	\$ 866,535	\$ (24,400)	\$ -	\$ 842,135

**Governmental activities:**

Depreciation expense of \$15,964 for governmental activities was charged to the general government function.

**Business-type activities:**

Depreciation expense of \$24,400 for business-type activities was charged to the sewer function.

**NOTE E—OTHER INFORMATION**

**Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

**NOTE F—PENSION PLAN**

The Township provides pension benefits for all of its Board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. The Plan is administered through John Hancock USA Group Pension Services, an independent third party. The Plan requires the Township to contribute 20 percent of covered payroll. Plan provisions and contribution requirements are established and may be amended by the Board. For the year ended March 31, 2007, the contribution to the Plan by the Township was approximately \$19,000.

**NOTE G—ECONOMIC DEPENDENCY**

The State of Michigan shared revenues represent approximately 61 percent of General Fund revenues.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Charter Township of Green  
 Required Supplementary Information  
**BUDGETARY COMPARISON SCHEDULE**  
 General Fund  
 For the year ended March 31, 2007

	Budgeted amounts			Variance with final budget - positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 88,942	\$ 88,942	\$ 93,543	\$ 4,601
Licenses and permits	200	200	198	(2)
Intergovernmental revenues - state	224,000	224,000	223,639	(361)
Charges for services	12,300	12,300	15,157	2,857
Investment earnings	12,000	12,000	30,099	18,099
Other	3,722	3,722	4,620	898
Total revenues	341,164	341,164	367,256	26,092
EXPENDITURES				
Current				
General government				
Legislative	39,283	39,283	30,943	8,340
Supervisor	9,455	9,455	9,157	298
Elections	6,501	6,501	4,870	1,631
Assessing	28,345	28,345	27,833	512
Clerk	25,175	26,575	26,019	556
Board of Review	1,175	1,175	598	577
Treasurer	23,519	24,919	23,511	1,408
Townhall	18,000	18,000	13,352	4,648
Cemetery	19,900	19,900	17,966	1,934
Professional	20,000	10,000	4,347	5,653
Public Safety				
Fire contract	69,800	79,800	68,814	10,986
Public works				
Highways	98,500	98,500	81,247	17,253
Community and economic development				
Planning	3,503	3,503	75	3,428
Culture and recreation				
Recreation and parks	19,550	19,550	8,664	10,886
Other governmental functions	19,700	16,900	15,247	1,653
Capital outlay	48,000	60,500	23,532	36,968
Total expenditures	450,406	462,906	356,175	106,731
Net change in fund balance	\$ (109,242)	\$ (121,742)	11,081	\$ 132,823
Fund balance at April 1, 2006			762,719	
Fund balance at March 31, 2007			\$ 773,800	

# BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2007

Township Board  
Charter Township of Green  
Paris, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, and each major fund of Charter Township of Green as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Charter Township of Green's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Charter Township of Green's internal control. Accordingly, we do not express an opinion on the effectiveness of Charter Township of Green's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached a deficiency in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.





## **SIGNIFICANT DEFICIENCIES**

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.